

PUBLIC DISCLOSURE

OCTOBER 28, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

TURNPIKE CREDIT UNION

668 SOUTH AVENUE
WESTON, MA 02493

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **TURNPIKE CREDIT UNION** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated " Satisfactory "

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its membership, including low and moderate-income members, in a manner consistent with its resources and capabilities.

This examination was conducted utilizing three performance criteria for industrial credit unions: 1) Average Loan to Deposit ratio, 2) Lending to Borrowers of Different Incomes and 3) Fair Lending. Since the credit union does not identify its membership and therefore its assessment area by location, no geographic performance factors were considered.

The credit union's average net loan-to-deposit ratio for the previous four semi-annual periods is 58.2 percent and meets the standards for satisfactory performance at this time.

An analysis of the credit union's lending activity by borrower income revealed that 73.4 percent of a consumer loan sample was granted to low and moderate-income members. A rating of "exceeds satisfactory performance" was granted for this criterion.

The credit union's fair lending performance is also considered to meet the standards of satisfactory performance.

When determining the overall rating, factors including the credit union's size, resources and staff limitations were considered.

PERFORMANCE CONTEXT

Description of Institution

Turnpike Credit Union is a Massachusetts chartered credit union, which was incorporated on February 22, 1974. The credit union was established to serve the credit needs of the employees of the Massachusetts Turnpike Authority. The credit union's sole office is located at 668 South Avenue, Weston, Massachusetts within the John T. Driscoll Building. Office hours are from 8:00AM to 3:30PM Monday through Friday.

As of June 30, 2002, the institution's total assets were \$4.3 million with total loans representing \$1.8 million or 41.8 percent of total assets. The following table depicts the credit union's loan portfolio composition based on the June 30, 2002 NCUA Call Report of Condition.

LOAN PORTFOLIO COMPOSITION		
LOAN TYPE	AMOUNT \$(000)	%
New and Used Vehicle	1,180	66.2
Personal Loans	591	33.2
Home Improvement	10	0.6
TOTAL	1,781	100%

New and used vehicle loans comprise 66.2 percent of the entire loan portfolio, while personal loans represent 33.2 percent. Home improvement loans make up the remainder of the portfolio representing only 0.6 percent of the dollar volume of loans outstanding.

Members are provided with direct deposit for payroll and automatic payroll deductions for loan payments.

Competition within the credit union's assessment area includes a variety of community based and industrial credit unions, small loan companies, and community banks. Given its asset size and financial capacity, Turnpike Credit Union has been successful in helping to meet the credit needs of its assessment area/ membership.

The Division of Banks last conducted a CRA examination on October 27, 1998, which resulted in the Turnpike Credit Union receiving a "Satisfactory" CRA rating.

Description of Assessment Area

The Community Reinvestment Act (CRA) regulation requires that each financial institution delineate one or more assessment area(s) within which the institution's record of helping to meet community credit needs is evaluated. Under the Massachusetts CRA Regulation 209 CMR 46.41(8) a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. Turnpike Credit Union, which is an industrial credit union, has a membership by-law provision based primarily on the employment/occupation. Consequently for the purpose of this evaluation, the credit union's membership delineates the institution's assessment area(s).

Turnpike Credit Union's by-laws state: "Membership in this corporation is limited to employees of the Massachusetts Turnpike Authority; retired employees of the Massachusetts Turnpike Authority; Members of Troop "E" of the Massachusetts State Police assigned to the Massachusetts Turnpike, employees of the Turnpike Credit Union; and all their spouses, children, parents, grandparents and grandchildren". As of June 30, 2002, Turnpike Credit Union has 1,164 current members.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

The first criterion evaluated is the credit union's net loan to total deposit ratio.

A comparative analysis of Turnpike Credit Union's net loan-to-deposits for the period December 31, 2000 through June 30, 2002 was conducted during this examination. The analysis focused on the ratio of net loans to total deposits from the institution's NCUA Call Report of Condition. The average net loan to total deposit ratio was determined to be 58.6 percent and is considered to meet the standard for satisfactory performance.

TURNPIKE CREDIT UNION LOAN TO DEPOSITS ANALYSIS			
PERIOD	NET LOANS	DEPOSITS	RATIO
December 2000	\$1,816,301	\$2,762,583	65.7%
June 2001	\$1,835,702	\$3,076,627	59.7%
December 2001	\$1,743,275	\$3,019,120	57.7%
June 2002	\$1,760,239	\$3,432,154	51.3%

In reference to the above table, the credit union's loan portfolio decreased during the current examination period due to stricter underwriting guidelines set by its Board of Directors. Prior to year 2000, the credit union allowed higher debt-to-income ratios for loan approval.

The following table provides net loans to deposit ratios for comparable industrial credit unions of similar asset size. The ratios shown are calculated from NCUA Call report figures as of June 30, 2002. These credit unions range in asset size from \$3 million to \$4 million.

COMPARATIVE LOAN TO DEPOSIT RATIOS	
Turnpike Credit Union	51.3%
Lynn Teachers Credit Union	42.0%
Chelmsford Credit Union	46.4%
NEBCO Credit Union	23.1%

Based on the above information and Turnpike Credit Union 's capacity to lend, its asset size, the types of loans available, its limited resources and lending strategy, the credit union 's loan to deposit ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This criterion evaluates an institution's record of lending within a defined geographic assessment area. The Division of Banks' CRA regulation allows a credit union whose membership is not based on residence to define its assessment area as its membership. Since Turnpike Credit Union membership is based on employment affiliation and not on residence, analysis of the institution's lending pattern inside and outside a geographically defined assessment area is not meaningful.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The third performance criterion evaluates the extent to which the institution lends to members of different income levels, particularly members of low and moderate income within its membership. Consumer lending activities were analyzed to determine the institution's performance. The credit union's performance under this criterion was found to exceed standards for a satisfactory performance.

The distribution of consumer loan originations were reviewed and compared to the median Family Household Income (FHI) for the Metropolitan Statistical Area (MSA) in which the members reside to determine borrower income levels. By definition, borrowers qualify as low income below 50 percent of median income, moderate-income between 50 percent and 79 percent of median income, middle-income between 80 and 119 percent of median income and upper-income at 120 percent or more of median income.

The majority of members reside within the Boston, MA Metropolitan Statistical Area (MSA). The Boston, MA MSA Median Family Household Income (FHI) for 2000 was \$65,500, 2001 was \$70,000 and 2002 was \$74,200.

CONSUMER LENDING

Consumer loans granted in 2000, 2001 and Y-T-D 2002 were sampled and reviewed for borrower income levels. Turnpike Credit Union granted 221 consumer loans totaling \$1.3 million in 2000, 167 consumer loans totaling \$1.0 million in 2001, and 123 consumer loans totaling \$813,000 in Y-T-D 2002. A sample of 45 loans totaling \$372,000 was taken to represent consumer lending for the current examination period.

The following table provides a breakdown of the sample of 45 consumer loans originated among the credit union's membership by applicant income level. This analysis indicated that 6.7 percent of the loans was granted to low-income members and the majority representing 66.7 percent was granted to moderate-income members.

CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY NUMBER

% OF MEDIAN MSA INCOME	2000		2001		Y-T-D 2002		TOTAL	
	#	%	#	%	#	%	#	%
<50%	1	6.7	0	0.0	2	13.3	3	6.7
50% - 79%	11	73.3	9	60.0	10	66.7	30	66.7
80% - 119%	2	13.3	3	20.0	2	13.3	7	15.6
120% >	1	6.7	3	20.0	1	6.7	5	11.0
TOTAL	15	100%	15	100%	15	100%	45	100%

Source: in-house files

As the table below indicates, by dollar amount, 4.1 percent of the consumer loans were to low-income members and the majority representing 59.1 percent were to moderate-income members.

CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY DOLLAR AMOUNT

% OF MEDIAN MSA INCOME	2000		2001		Y-T-D 2002		TOTAL	
	\$(000)	%	\$(000)	%	\$(000)	%	\$(000)	%
<50%	5	4.9	0	0.0	10	7.8	15	4.1
50% - 79%	85	83.3	58	41.4	77	59.2	220	59.1
80% - 119%	6	5.9	42	30.0	31	23.8	79	21.2
120% >	6	5.9	40	28.6	12	9.2	58	15.6
TOTAL	102	100%	140	100%	130	100%	372	100%

Source: in-house files

The credit union's lending distribution is representative of all categories of income levels of its membership. It should be noted that the majority of the consumer loans were granted to single applicants. Therefore, the percentage of originations occurring in low and moderate-income levels would be higher than that of residential mortgage originations, where the income is usually the result of joint combined incomes and where the comparison is made to the standard of median family income. Because there were no HMDA reportable loans or home equity loans originated, no further analysis could be performed.

In conclusion, the credit union's distribution of this consumer loan sample by borrower income levels demonstrates that the majority of these loans are granted to moderate-income members. This distribution is very good, given the income levels of the majority of the membership. Consequently, the credit union's lending for this criterion exceeds the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

This fourth performance criterion evaluates an institution's record of addressing credit needs of the assessment area based on the geographic distribution of loans. This geographically based analysis is not meaningful for Turnpike Credit Union since under the CRA regulation a credit union whose membership by-law provisions are not based on residence are permitted to designate its membership as its assessment area. As noted in the Assessment Area Description, the credit union's membership is based on employment affiliations.

REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES

A review of the public comment file revealed that the bank received no complaints pertaining to the institution's CRA performance since the previous examination.

The credit union's small size, restricted resources and financial situation limit its ability to meet the requirements of the Division's fair lending policy. The credit union's staff training is adequate. The institution has developed a second review process in which all loans considered for denial are referred to the Credit Committee prior to issuing a notice of denial.

The credit union's marketing activity includes placing information on its credit products and services on bulletin boards located in the various Turnpike Authority buildings throughout the length of the Massachusetts Turnpike, Tunnels and State Police Barracks. The credit union also includes statement stuffers in correspondence sent out to the membership and there are brochures located in the credit union's lobby. During the orientation process for new employees, the human resources department provides a "New Member Packet" which includes all information related to the products and services available through the credit union. The credit union also considers those members who are no longer current employees of the Turnpike Authority by sending them information included on bulletin boards that aren't included in the regular statement mailings to the general membership.

The credit union does not offer residential mortgages. Potential borrowers are referred to Members Mortgage Corporation which offers several loan products with flexible lending terms for first-time homebuyers.

The criterion for the various types of credit offered, as well as the procedures for completing a loan application, were reviewed during the examination. No practices intended to discourage applications were found.

Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

TURNPIKE CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 28, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

